



# DEEPWATER NEWS

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## Total Ownership Costs give long-term Deepwater projections

The overarching goal of the Integrated Deepwater System (IDS) is to develop a complementary, interoperable system of surface and air assets, sensors and logistics infrastructure that maximizes operational effectiveness while minimizing Total Ownership Cost (TOC).

TOC is the 'soup-to-nuts' approach to purchasing, operating, maintaining and disposing of existing and new assets. TOC includes the cost to research, develop, acquire, own, to operate and dispose of any and all assets that make up the Deepwater system, as well as the equipment and real property supporting the IDS infrastructure. TOC also considers the human factor of Deepwater, including the cost to recruit, train, retain, separate and otherwise support military and civilian personnel; and all other costs of business operations for the Deepwater missions.

During Phase 1, the industry teams developed phased implementation plans that identified which assets will be upgraded, which will be decommissioned and when new assets will become operational, all with the overarching goal of maximizing operational effectiveness while minimizing total ownership costs. In selecting the winning contractor, TOC is second only to operational effectiveness in the evaluation criteria, followed by management capability and technical feasibility.

The Deepwater acquisition process must balance project costs, schedules and performance objectives with the current and projected funding levels divided into Acquisition, Construction and Improvement (AC&I) funds and Operating Expenses monies. Using a notional funding stream based on fiscal year 98 funds and indexed for inflation, the competing industry teams designed the Deepwater fleet of the next 30 years using a base of \$290M to award the contract in fiscal year 2002 and a projected \$500M per year thereafter.

Total ownership costs that are not part of asset-based cost include changes to the non-Deepwater Coast Guard that will be required for compatibility with Deepwater assets. For example, the landing systems and technology on icebreakers need to be compatible with proposed air assets.

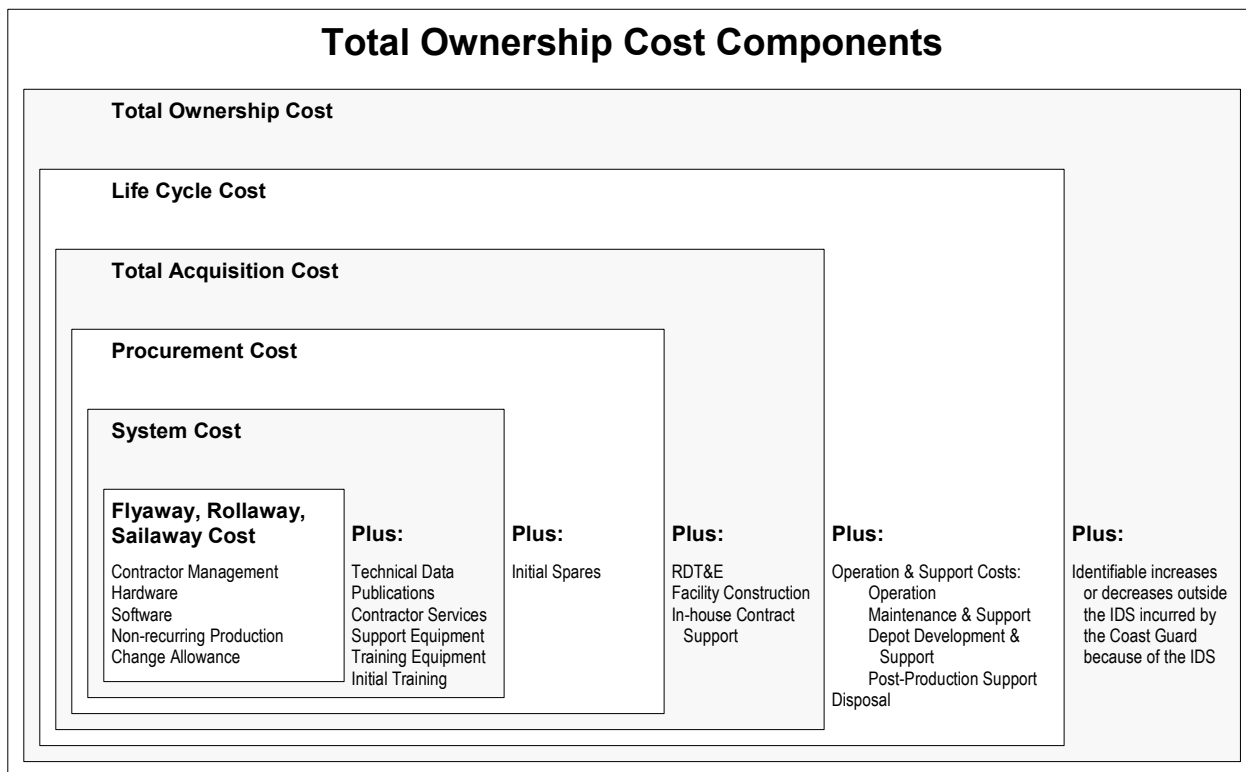
After the contract is awarded, the Coast Guard begins its long-term relationship with the winning industry team, various incentives and measurements will be used to motivate the contractor to manage and minimize TOC, all while providing the Coast Guard operator in the field with the right tools to meet growing mission demands.



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“TOC permits a linkage with the customer, the operators in the field, that is essential to the long term team effort,” said RADM Patrick M. Stillman, Program Executive Officer of the Deepwater Program. “We will be seeking insights and recommendations from the customer regarding the control of long term total ownership costs.”



*Questions or Comments? Please e-mail us at [deepwater@comdt.uscg.mil](mailto:deepwater@comdt.uscg.mil)*